

## **1996 SMALL BUSINESS PROFILE**

### **SMALL BUSINESS: BACKBONE OF THE MINNESOTA ECONOMY**

The importance of small business to the state of Minnesota is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **101,436** full-time business firms with employees in Minnesota, **98.1** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **188,000** full-time self-employed persons in Minnesota in 1995, for a total estimated 1995 full-time business population of **289,436** firms.

**Small Business Income** - the income of sole proprietors and partners rose **8.3** percent to **\$7.3** billion in 1995, while wage-and-salary income rose **5.8** percent. Total personal income rose **4.4** percent to **\$107.8** billion. The state also exported **\$7.7** billion of goods and services in 1995.

Minnesota's number of women-owned businesses, including part-time firms, increased **40.9** percent from 1987 to 1992, totaling **124,143**. The number of Black-owned firms, including part-time firms, increased **92.3** percent from 1987 to 1992, totaling **2,785** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **110.8** percent during the same time period with **1,583** firms in 1992. There has also been

a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **2,024** in 1987, to **3,168** in 1992, representing a **56.5** percent increase.

Small businesses with fewer than 20 employees reported **11.3** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Minnesota.

The composition of small business in Minnesota is very diverse. The **Eating and Drinking Places** industry is the largest small business employer in Minnesota. Other significant small business industries are, in descending order: Health Services, Business Services, Wholesale Trade-Durable Goods, and Membership Organizations. The fast-growing industries include Insurance Carriers, Educational Services, Motion Pictures, Chemicals and Allied Products, and General Merchandise Stores.

The number of new business incorporations increased **6.8** percent. Business bankruptcies declined by **3.1** percent, but business failures increased by **25.2** percent. These data indicate continued growth for the economy of Minnesota.

An SBA Office of Advocacy study found that Minnesota's top ten lenders to small businesses in 1995 were:

1. First National Bank of Pipestone
2. Community First National Bank, Little Falls
3. Community First National Bank, Fergus Falls
4. Perham State Bank
5. Security Bank of Northwest
6. First Integrity Bank
7. Princeton Bank
8. First National Bank of Walker
9. Security State Bank of Hibbing
10. Farmers State Bank of Madelia

In sum, small businesses have a striking impact on Minnesota's economy. Not

only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Minnesota by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	233,399	12.2	42.1	1
Eating & Drinking Places	135,565	7.1	70.6	2
Business Services	117,298	6.1	52.9	3
Wholesale Trade-durable Goods	78,663	4.1	72.9	4
Miscellaneous Retail	66,615	3.5	60.1	5
TOTAL, ALL INDUSTRIES	1,918,833	100.0	55.2	

Top 5 Small-Business-Dominated Industries in Minnesota by Employment,  
1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Health Services	98,249	9.3	1
Eating & Drinking Places	95,673	9.0	2
Business Services	62,106	5.9	3
Wholesale Trade-durable Goods	57,341	5.4	4
Membership Organizations	52,311	4.9	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	1,058,305	100.0	

Fastest Growing Industries for Small Business in Minnesota, 1991 - 1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN		PERCENT CHANGE, 1991-1993	RANK
	1991	1993		
Health Services	84,628	98,249	16.1	1
Business Services	55,441	62,106	12.0	2
Eating & Drinking Places	90,429	95,673	5.8	3
Industrial Machinery & Equip.	27,469	29,054	5.8	4
Miscellaneous Retail	38,885	40,024	2.9	5

Office of Advocacy, U.S. Small Business Administration. Based upon Census data,  
prepared under contract.